

INDUSTRY UPDATE

Biweekly Period Ending February 24, 2001

Phoenix Metro Area

Manufacturing

Many of the 16,400 workers at **Honeywell's operations in Arizona** fear the results of a **proposed merger with General Electric**. **Analysts** are **speculating** that **5 to 10 percent** of the combined companies' **employment**, or 20,000 to 40,000 jobs, **will be lost** after the merger. Although many of the products made by Honeywell — corporate jet engines, cockpit controls, guidance systems — do not overlap with GE's products, there are **thousands of management positions** (marketing, finance, clerical) that **may be eliminated** to avoid duplication of work. One good sign for Arizona is that most of the corporate functions are located at Honeywell's offices in New Jersey, but some layoffs are still expected at either its Phoenix or Tucson operations.

The atmosphere at **MD Helicopters Inc. in Mesa**, however, is much lighter, reflecting the company's soaring sales. **Orders are up nearly 60 percent** from 2000 at the former commercial division of Boeing Helicopter Co., now **owned** by Netherlands-based **RDM**. MD's biggest sellers — used by corporations, police departments, and emergency services — include models with a quieter no-tail rotor system and the twin-engine MD 900 Explorer. Despite the improved outlook, MD, which employs 360 at its Mesa plant, **has not announced plans for a major expansion**. And as of Feb. 19, according to its web site (mdhelicopters.com), no positions were available directly with MD, and only seven jobs were available through contract companies.

"Life is (also) Beautiful" at a recently completed 145,000-square-foot plastic container

factory in Tolleson, about 15 miles west of downtown Phoenix. Chicago Ridge, Ill.-based **Landis Plastics**, which makes more than 1 million cups a day for dairy products made by companies such as General Mills, Yoplait, and Safeway, **expects** its 80-employee **workforce to double** as it ramps up operations. Landis' plant is currently at about 60 percent of capacity, with 12 of 18 injection-molding machines in use.

Over the next five years, Netherlands-based **ASML** says an expanded technical and sales center at Tempe's ASU Research Park **expects to hire an additional 50 instructors, engineers, and developers** to teach clients and employees about its latest manufacturing equipment. ASML, which is doubling the size of its current operations at the park, makes machines that imprint circuits on semiconductor wafers.

Construction

Hunt Construction Group expects **employment** on the \$334 million **Arizona Cardinals stadium** to **average around 1,000** over the next three years, with several thousand additional workers needed for surrounding infrastructure. Builders of the Bank One Ballpark, Hunt will oversee construction of the stadium, which will be located in Tempe at Priest Drive and Washington Street. Among **occupations** that will be **in demand** will be **iron and sheet metal workers, electricians, carpenters, laborers, and plasterers**. Hunt will subcontract much of the stadium work, expected to begin in August.

SunCor Development Corp. was awarded its **second project on Tempe Town Lake**, when Arizona State University chose the Phoenix company for a 9-acre, **mixed-use**

development near Rural Road. SunCor is **also involved** — with partners Benton-Robb Development and Bay State Milling Co. — in a \$220 million **office, retail, and residential development** east of the ASU project called **Hayden Ferry**, with construction set to begin in mid-April. The ASU project, which is still in the design phase, is expected to consist of a conference hotel, office and retail space, and a 1-acre special-event plaza.

Transportation, Communications, and Public Utilities

With fears the California energy crisis will spread to other states, **energy companies** are trying to **speed up** the process to get **new power plants** on-line, including projects that can bridge any power gap during the upcoming summer season when energy demand rises in the Valley. **Duke Energy North America** broke ground in late February on a **\$250 million electric power-generating facility** in **western Maricopa County** near the Palo Verde Nuclear Generating Station. The 570-megawatt plant will offer power to the wholesale market when completed in summer 2002. ... At least **two proposed power plants** are **under scrutiny** by local residents concerned about the potential health and economic effects. **AES Corp.** is planning to build, starting in mid-2002, a **520-megawatt natural gas-fired plant in Mobile**, a small community in southwest Maricopa County between Gila Bend and Interstate 10. The plant would **employ 200** for **construction** and **35 permanent workers**. And **Salt River Project** wants to **add on** an **825-megawatt plant** to its **existing facility at Val Vista Drive and Warner Road**. A county official said home values would decline 15 percent if the plant is built, while SRP disputed the official's contention. ... Finally, the **Bureau of Indian Affairs** has proposed building an **"instant" natural gas-powered plant** (actually, it takes six months) **near Coolidge** from prefabricated modules. Electric rates are expected to rise 300 percent this summer in

rural areas of Maricopa and Pinal counties serviced by the San Carlos Irrigation Project because of a shortage of electricity.

Gilbert-based **Spectrum Astro**, which recently won a \$50 million contract to build a satellite for the U.S. Air Force to detect an interruption in communications, is **expanding its operational space** by 42,000 square feet to take care of its short-term needs. The satellite manufacturing company, which employs 320, expects to **build a \$55 million plant** in the near future that would **eventually employ 1,000** workers. The first phase of the project, which is expected to open in mid-2002, would include a 270,000-square-foot plant.

Trade

A weakening economy forced Phoenix-based **Avnet Inc.** to **lay off 175 employees (100 locally)** in its Electronics and Computer Marketing groups in mid-February, the company said. Most of the cutbacks involved sales positions. The layoffs amount to about 4½ percent of Avnet's U.S. workforce of 8,000, of which about 3,500 are located in the Valley. Avnet is one of the leading distributors of electronic components in the world.

Despite losing out on a football stadium (see above), the **west Valley** — including developer and stadium hopeful John F. Long — continues to **pick up wholesale trade opportunities**. Long is planning a **1,000-acre business park**, called **Algodó Center**, on the northwest corner of Indian School Road and Loop 101. **First phase** of the project is expected to **begin this spring**. ... **E&V Investments** will **develop** 400,000 square feet of **distribution space** near Washington Street and 86th Avenue in **Tolleson**. The **first phase** of the project will be a 225,000-square-foot building that will be **home** to masking-paper maker **Tri-Paper**, which will lease one-third of the space **beginning in April**.

Finance, Insurance, and Real Estate

Although not formally announced, **Wells Fargo** is expected to **choose Chandler** for a **corporate campus** that eventually will

house 4,000 workers. In his State of the City address, Chandler Mayor Jay Tibshraney said the state's third-largest bank is closing a deal on 60 to 80 acres **near Price and Pecos roads**, where Loops 101 and 202 will eventually hook up. **No information** was available on **how many of the jobs** — which will include customer service, information technology, and administrative and clerical positions — will be **new or moved** from other locations in the state.

Services

Several Valley hospitals were making news the past few weeks. San Francisco-based **Catholic Healthcare West** will **cut 350 corporate and regional administrative jobs** as part of a restructuring plan to save \$100 million. The company, which owns St. Joseph's Hospital in Phoenix and Chandler Regional Hospital, is **reducing** the number of **regional operations** from 10 to four. Arizona's division will now be combined with operations in Nevada. Expansion — which includes construction of a pediatric care unit — of St. Joseph's, which recently laid off 100 workers, is still on-going, but is under review by the company's board of directors. ... Work on a \$70 million **renovation of Phoenix Children's Hospital is nearing completion.** The children's facility at 20th Street and Thomas Road — which formerly housed the Phoenix Regional Medical Center — expects to **open this fall.** No information was released about new job opportunities. ... The previously announced **sale of Phoenix Memorial Hospital (PMH)**, 7th Street and Buckeye Road, to Vanguard Health Systems of Nashville for \$39 million has been **put on hold** by a federal bankruptcy court. PMH Health Resources, which owns PMH and its health plan, filed for bankruptcy in early February. The court felt other bidders for the sole hospital in south Phoenix — including Banner Health Systems and Iasis Healthcare — were not given an opportunity to pursue a deal.

A **Scottsdale call center** that provides customer support for major wireless phone com-

panies hasn't been "phased" by the economic slowdown. **Phase 2 Solutions Inc.** expects to **hire an additional 240 employees** this year, on top of the 300 it added in 2000. Started as a wireless phone reseller in 1994, Phase 2 has taken off since it switched to servicing other firms' clients in the late '90s. The company recently moved into a **new 50,000-square-foot office** on East Raintree Drive near Loop 101.

Tucson Metro Area

Manufacturing

Despite a slump in the economy, **two of Tucson's major high-tech employers** are **not planning cutbacks.** In fact, one is expecting to increase employment. **Texas Instruments Inc.**, which bought out Burr Brown Corp. last year, has issued a hiring freeze and other cost-cutting measures, but doesn't plan any layoffs of its 1,200 Arizona workers.

Raytheon Missile Systems, on the other hand, still expects to **hire 1,000 engineers in 2001**, with about 300 of the jobs being new positions. Plans by President Bush to step-up defense spending — including work on a strategic-defense system — is likely playing a role in Raytheon's strategy.

Cincinnati-based **Plastic Moldings Co.** took only three months to **build** a 90,000-square-foot injection molding **plant** that will **employ 230 workers** when fully staffed in 2003. The plant, which will make cell phone containers, will **open in March** with about a dozen employees, but expand to 60 by the end of the year.

Trade

A Pima County Superior Court **judge ruled** that **Westcor Partners can build** a 320,000-square-foot **shopping center** in the northwest Foothills area of Tucson. Called **La Encantada**, the shopping center project at North Campbell Avenue and East Skyline Drive was challenged by neighbors and the county be-

cause of concerns over traffic. Westcor **expects** the upscale project to be **completed in 2003**.

Statewide

Government

The state passed **emergency legislation** to **create 116 new highway patrol positions** to monitor Phoenix and Tucson freeways. SB 1230 allocated \$26 million over the next two years for the additional Department of Public Safety officers. **Ninety-eight** of the positions will be located in **Maricopa County** and **18** will be in **Pima County**.

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